



# 2003 Annual Report of the Environmental Finance Center Network

## Region 3 - The University of Maryland

*The University of Maryland focuses on  
watershed issues, especially in the  
Chesapeake Bay region*

### Introduction

With support from the U.S. Environmental Protection Agency (EPA), the Environmental Finance Center at the University System of Maryland was created to assist local communities in identifying innovative and equitable means of paying for environmental projects. The Center promotes ways to manage the cost of environmental activities through technical assistance, training and curriculum development, and outreach activities such as workshops, charrettes and conferences.

## Accomplishments

### Technical Assistance

#### *Smart Growth in Maryland*

Maryland's Eastern Shore is under significant development pressure as a result of population growth in the region. The Eastern Shore has become a popular place to live because of its proximity to major cities and their sprawling suburbs, recreational opportunities, low cost of living and low crime rate. Small municipalities on the Eastern Shore struggle to cope with the onslaught of growth with limited, or sometimes nonexistent, staff and financial resources and often outdated zoning ordinances. Many communities are looking for ways to turn this growth into sustainable community development.

The Assistant Coordinator met with representatives from Washington College, The University of Maryland Institute for Governmental Service (IGS), State agencies, local governments and nonprofit organizations to discuss how each organization could help local governments on the Eastern Shore. The discussion focused on matching the expertise of the group with the needs of local municipalities. The possibility of a collaborative effort among participants was also discussed. Next steps for this group were put on hold pending the outcome of a Kellogg Foundation grant application that had been submitted by Washington College to do a pilot project in the region.

In November, the EPA held a week-long Smart Growth training in Washington D.C. for Sea Grant Extension agents from around the country. The Director of Maryland's Sea Grant program sent the EFC's Assistant Coordinator and a representative from the University's Cooperative Extension program to the training. After the training the Maryland Sea Grant Director received a \$5,000 grant to implement some component of Smart Growth in Maryland. The EFC's Assistant Coordinator began discussions with representatives from Washington College and IGS to determine how to link the EPA grant money with the Kellogg Foundation grant to do a community visioning project for the Town of Galena on Maryland's Eastern Shore.

#### *Solomons Harbor Septic Forum*

The Assistant Coordinator is participating on a workgroup established by Calvert County, Maryland to look at innovative approaches to address the nitrogen entering Solomons Harbor from septic systems located in nearby residential areas. The workgroup is composed of representatives from the County, technical experts and local residents. The EFC will provide advice and expertise on innovative ways to finance the solutions produced by the workgroup.

The group held their first meeting during 2003 and will continue to meet periodically throughout 2004.

### *The Anacostia River*

The Assistant Coordinator and the Director met with Tom Arrasmith—Chairman of the Anacostia Watershed Citizens Advisory Committee to discuss how the restoration and protection of the Anacostia could be made profitable for businesses. They also met with Andrew Fellows of Clean Water Action/Clean Water Fund to discuss the use of bonds to finance environmental restoration in the Anacostia River watershed.

### *The EFC's Training Manager completed the following technical assistance activities during 2003:*

- Scheduled three classes for 2004 winter semester for Del-Tech: *Rate Setting, CIP and Asset Management*.
- Sent written comments on new security module of the National Environmental Training Center for Small Communities' (NETCSC) "*Managing a Small Drinking Water System*" program.
- Met with the Stony Creek Sanitary District manager and clerk in Woodstock, VA and provided rate setting tools and guidance to them for their rate study.
- Met with the mayor, council and town manager and clerk of Appomattox, VA for an evening training session on sound rate setting, financial management and local officials responsibilities for operating a drinking water system.
- Participated in a conference call with NETCSC Training Specialists Sandra Fallon and Mary Alice Dunn, along with fellow NETCSC associate Tommy Ricks of Mississippi RCAP regarding planning for the 2004 Training Institute.
- Researched possible funding sources for Franklin County, VA water quality monitoring efforts.

### *Rate Studies*

The EFC Training Manager continued to work with communities in the region to conduct rate studies. The rate study for the City of Havre de Grace was completed during this year. The study for the Town of Federalsburg has been postponed pending the receipt of additional data from the town. She also conducted the following activities related to rate studies in the region:

- Met with the City Manager and Water Sewer Administrator for North East, MD about starting their rate study.
- Held a rate setting class for Garrett County, MD (sponsored by MRDC).

### ***Workshops***

#### ***Maryland Department of Natural Resources Watershed Restoration Action Strategies***

The 1998 Clean Water Action Plan called for expanded collaboration between federal, state and local governments to protect and restore degraded watersheds. Under this initiative, Maryland developed a Unified Watershed Assessment, which evaluated the conditions of the state's watersheds and prioritized restoration goals based on this assessment. During the spring of 2000 the Maryland Department of Natural Resources (DNR) joined in partnerships with local counties to develop Watershed Restoration Action Strategies (WRASs) at the eight-digit level. These strategies are designed to restore and protect selected priority waters within the Chesapeake Bay and coastal bays watersheds.

Five initial WRASs were targeted for completion by spring 2002. In the coming years, implementation of the strategies' recommended actions will begin, and new WRASs will be developed and implemented. A key question remains: how to pay for the actions recommended in each WRAS. During December 2001, DNR approached the EFC about conducting a series of five workshops on financing watershed restoration action strategies.

The EFC customized its *Financing Watershed Strategies* workshop to respond to the needs of each individual WRAS in order to assist each local jurisdiction in developing an individualized financing plan. During the past year the EFC held a workshop for each of the five communities. Summaries of each workshop and financing plans for each community were completed. The EFC provided DNR with a general template for future watershed financing workshops and a summary of lessons learned from the process. The Assistant Coordinator also followed up with possible next steps with select groups.

Also during this past year, the EFC Director participated in a WRAS workshop in Annapolis, Maryland. This workshop provided a forum for him to share the EFC's experiences with the first five WRASs and to hear about upcoming WRAS grant recipients.

### ***Carbon and Nutrient Trading***

The market potential of nutrient trading and carbon sequestration is largely untapped. Through public-private partnerships, market incentives can be combined with existing cost-

share programs that address erosion and water quality. The EFC has begun to investigate how communities in the region can take advantage of current and future markets for nutrient trading and carbon sequestration. The EFC, in partnership with the Friends of the Potomac (Friends), decided to hold a two-day workshop in September to outline the barriers to establishing a nutrient trading market in the Potomac watershed and to determine how those barriers can be overcome.

In preparation for this meeting, the EFC and Friends met with faculty from the University of Maryland Agriculture and Resource Economics department to design an analysis of nutrient trading opportunities and barriers in the Chesapeake Bay basin. On May 20<sup>th</sup>, the EFC and Friends convened a daylong meeting of the forum's steering committee to determine the format and issues for the September conference. A significant amount of time was spent during the year gathering background information, contacting the right experts and preparing for this meeting.

Over 35 people from around the watershed, and as far away as New Mexico and Missouri, came to the September workshop. Several concrete recommendations and next steps came out of the meeting. The EFC and Friends are working together to continue this effort based on the outcomes of the conference. Notes as well as copies of the presentations given at the meeting are posted on the web.

### *Potomac Watershed Roundtable Workshop*

Sponsored by The Wilderness Society, the second annual workshop, held from July 11 -12, 2003 in Shepherdstown, W.V., brought together groups from throughout the watershed with the goal of developing a partnership and strategies for protecting open space throughout the region. The EFC has continued to participate on the Implementation Team to assist with issues related to capacity development and financing open space and watershed protection. This group has also committed to hold a Congress for the Potomac within the next two years. The EFC will act in an advisory capacity on the committee that constructs the Congress and will ultimately play a role in the actual event.

### *Patuxent Land Trust Exchange*

In June of 2002, the Environmental Finance Center, in partnership with the Maryland Environmental Trust and the Trust for Public Land Chesapeake Field Office, conducted the first annual Patuxent Land Trust Exchange. The goal was to provide local conservation groups an opportunity to discuss common issues and concerns, and to identify some of the resources that can be leveraged to meet land protection goals. By strengthening the capacity of land trusts, a more coordinated land protection strategy in the Patuxent River watershed can develop. More than 20 people attended the Exchange from 10 community conservation

organizations. A number of next steps were identified, including developing joint marketing strategies, list serves, and special events.

Approximately 20 people attended the follow-up meeting held in April 2003. The Assistant Coordinator gave a presentation on the concept of the financing “quilt” as it applies to funding land trust activities. She also presented the mock land trust map developed for the group on the EFC website and got input from the group on how it could be improved to better serve their needs.

### *Chesapeake Watershed Dialogues*

The National Parks Service (NPS) Rivers, Trails and Conservation Assistance (RTCA) program, in partnership with the states of Maryland, Pennsylvania and Virginia, has initiated a collaborative effort to foster local watershed management in the Chesapeake Bay basin. The first stage of this effort will consist of a series of dialogues aimed to teach local governments, organizations and other stakeholder groups about watershed planning, and how these plans need to be incorporated into local land use decisions and other conservation practices. The dialogues will be held in the winter-spring of 2004. Three to five high priority watersheds from each state will be targeted for assistance from the RTCA program. After the dialogue, an RTCA staff member will be assigned to assist each watershed with the completion and implementation of their watershed plan. The EFC has committed to give a presentation on financing watershed plans at each of the dialogue meetings over the course of the next year.

### *Acid Mine Drainage*

Acid mine drainage (AMD) from abandoned mines is a major source of water pollution in parts of Region 3. Remediation of AMD is difficult because funding is limited and there are often issues related to identifying responsible parties to pay for the clean up of abandoned mine sites.

The EFC has partnered with EPA Region 3 to hold a two-three day conference (exact date still to be determined) to help the States of Maryland, Pennsylvania and West Virginia determine how they might use State Revolving Loan funds, in conjunction with other innovative financing solutions, to address acid mine drainage remediation.

### *Chesapeake Bay Watershed Blue Ribbon Panel*

The EFC Director began discussions with the Chesapeake Bay Program, to explore the potential for assisting a Blue Ribbon Panel commissioned by the Governors of Maryland, Virginia and Pennsylvania to explore financing options for reducing nutrient and sediment inputs to the Chesapeake Bay.

## Training

*The Training Manager conducted the following training sessions during 2003:*

- Financial and General System Management for Small Systems– January 15– 8 hour class for Delaware Office of Drinking Water in Georgetown, DE.
- Two day forum for Maryland Rural Development Corporation (MRDC) on Small System issues– March 19 – 20, Cumberland, MD–EFC participation was presentation of two topics during each offering of the conference:
  - o 2 hours on Capital Improvements Planning
  - o 4 hours on Financial Management and Local Responsibilities for Small Systems.
- Four-hour session on Rate Setting and Cost Recovery for the staff of MRDC at their request March 24, Salisbury, MD.
- Capital Improvements Planning– April 16, Delaware Technical & Community College.
- Capital Improvements Planning – April 28, Maryland Rural Water Conference.
- Capital Improvements Planning – May 6, Southeast RCAP In-service Training.
- Rate Setting & Cost Recovery – May 7, Southeast RCAP In-service Training.
- Asset Management – May 28, Delaware Technical & Community College.
- Water Board & Support Staff Training – June 4, Delaware Technical & Community College.
- Capital Improvements Planning –June 4, Delaware Technical & Community College.
- Annual Training Institute – National Environmental Training Center for Small Communities (NETCSC) at West Virginia University – July 28-August 1, Provided 2 all-day presentations– “*Financial Management Basics for Small Utilities*” and “*Local Officials’ Responsibilities for Providing Safe Drinking Water*”.
- Attended conference on “Advanced Asset Management” – Sept. 8 – 10, in St. Louis, MO sponsored by EPA and St. Louis DNR Technical Assistance Unit (13 credited training hours).

- Capital Improvements Planning– October 9, Delaware Technical and Community College, Georgetown, DE.
- Capital Improvements Planning for MRDC – October 29, Frederick Community College, Frederick, MD.
- Asset Management – November 13, Delaware Technical and Community College, Georgetown, DE.
- Rate Setting and Cost Recovery for Virginia Rural Water–November 19, Buena Vista, VA.
- Rate Setting and Cost Recovery for Virginia Rural Water–November 20, Appomattox, VA.
- Rate Setting and Cost Recovery – December 4, Garrett County Sanitary District in Oakland, MD.

## **Communications and Outreach**

### *Institute for Governmental Service (IGS)*

The EFC Director and Assistant Coordinator met repeatedly with other programs to build a strong network of assistance for our clients. Especially fruitful is a new and strengthening partnership with the University of Maryland Institute for Governmental Service (IGS), which has considerable expertise in aiding small communities with their infrastructure challenges.

### *General Accounting Office (GAO) meeting regarding Asset Management efforts and programs, College Park*

EFC staff met with GAO representatives in April to discuss projects being done throughout the region, as well as what needs to be done, to promote sound asset management programs and practices in community utility systems. After the meeting, the Training Manager followed up by sending abstracts for each of her current courses. She also relayed the names of two community systems in Region 3 that she viewed as doing a good job of asset management.

### *Maryland Center for Environmental Training (MCET)*

EFC representatives met with the Director and Training Coordinator for MCET at the College of Southern Maryland in La Plata, and discussed ways that the two organizations could



complement each other, particularly in the area of Asset Management Training and Capital Improvements Planning efforts. As a follow-up, the Training Manager sent them a complimentary copy of the CAP Finance program and manual. MCET in turn furnished the EFC with several of its training manuals and videos for the EFC's reference library.

*Southeast Rural Communities Assistance Program (RCAP) In-Service Training, Charleston, SC*

Approximately 30-40 RCAP representatives from Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia and Florida attended the weeklong In-Service training event in May. The EFC Training Manager presented two half-day sessions on Capital Improvement Planning (CIP) and Rate Setting, and had the opportunity to meet a number of people from the Region 3 states who expressed an interest in doing cooperative training in the future. Four orders for a copy of the CAP Finance program from states outside Region 3 resulted directly from this meeting. The Training Manager reported a number of positive comments about the training presented as well as expressions of interest in future training events.

*Delaware Training Coalition Training Conference, DTCC Georgetown Campus*

The Delaware Training Coalition consists of the Delaware Environmental Training Center, Delaware Rural Water Association, the Delaware office of Southeast RCAP, Delaware Department of Public Health Office of Drinking Water and the Delaware Department of Natural Resources Wastewater Division. The conference was a one-day training course encompassing the basics every local official should know if responsible for the operation of a community water or sewer system. Presenters talked about liability, safety, regulatory, financial, planning and time management issues among other things. The EFC gave a 20-minute presentation on the services offered by the EFC in Region 3, and presented two additional training sessions. About 50 people attended the event and it was a good opportunity to meet Delaware system representatives and other trainers and regulators working in that state.

*2003 National Environmental Training Center for Small Communities (NETCSC) Training Institute Planning*

In addition to doing two all-day presentations for the 4<sup>th</sup> Annual NETCSC Training Institute, the EFC co-sponsored the event and was credited as such in all the publicity. The Training Manager presented an all-day class on Local Officials' Responsibilities for Operating a Drinking Water System and a second all-day session on the Basics of Financial Management

for small water and/or sewer systems. Bill Jarocki from the Region 10 EFC presented the follow-up to Basics of Financial Management with an all day session on how to use financial reports to aid in the decision making process.

### *The World Wide Web*

The Maryland Environmental Finance Center has begun a major focus to improve the way it communicates with communities in the region. One of the strengths of the Center over the years has been its ability to communicate often-complex environmental and financial issues to leaders and citizens from all backgrounds. Our goal is to continue to build on this strength by leveraging World Wide Web (WWW) technologies to inform and educate environmental leaders.

During the year, the EFC continued to refine and improve its restructured WWW site. The site is the first step in developing what will be a portal for environmental finance information and issues. The site will also be a training tool for community and municipal leaders in the region.

### *During 2003, the EFC Director conducted the following outreach activities:*

- Met with the University of Maryland Coastal Communities Specialist to discuss possible collaboration between the EFC and the Sea Grant Extension Program to address coastal community issues.
- Participated in a daylong rural community workshop in Vienna, Maryland held to discuss approaches to revitalizing small Eastern Shore communities. This workshop was sponsored by Washington College, and is part of a larger initiative to build capacity for municipalities on the Eastern Shore. Washington College plans to partner with the EFC and other groups to continue this effort in the future.
- Met with a participant in the Bay Ridge, Maryland land preservation effort, to see to what degree this could serve as a model for other communities.

### *The EFC Training Manager completed the following outreach activities:*

- Morgantown WV- NETCSC Institute- EFC display in the Exhibit Hall at a training event attended by people from around the country.
- St. Louis, MO- Asset Management Conference- The EFC Training Manager was able to make numerous contacts with people in the industry about ongoing and possible future training efforts– including Don Niehus, the SRF Team Leader for EPA Region 3,

Duncan Rose lead facilitator for the conference from Parsons Asset Management Center and Steve Allbee, Director of EPA's Gap Analysis Project.

- Discussion with Don Niehus of EPA Region 3 Office regarding efforts to promote Asset Management techniques and sound management practices. Don later sent a letter regarding the class he attended at Del-Tech and indicated he would welcome suggestions for EPA involvement in fostering asset management practices in the region.
- Discussion with Gordon Outlaw of Maryland Department of Housing and Community Development regarding how department might use the EFC training on CIP and rate setting to help communities.
- Attended a MDE Capacity Development Advisory Committee Training group meeting to discuss cooperative means of training with Maryland Rural Water, MRDC and MDE along with training needs and schedules for 2004.
- Set up a meeting with Steve McHenry of the Rural Maryland Council (formerly FORVM-Forum for Rural Maryland) to discuss cooperative efforts outlined in the Syracuse EFC (EFC 2) proposal for training and assistance coordination; also enlisted support for the proposal from Pennsylvania SPWSTAC Director Dr. Charles Cole (Small Public Water System Technical Assistance Center (PennState-Harrisburg)).
- Scheduled training sessions for Maryland Rural Water Association as well as conference session for 2004.
- Scheduled one training session for Virginia RCAP on Asset Management for 2004.
- Scheduled one "personalized" training session for the Town of Blades, DE at the request of the Delaware Office of Drinking Water; session to focus on general finance and management issues as needs identified by the Delaware SRF program; it is hoped that this session will lead to additional such sessions and being viewed as an on-going resource for the Delaware Office of Drinking Water.
- Met with Frostburg Mayor and Council regarding Rate Study completion and results.
- Met with Southeast RCAP representatives in Georgetown, DE to discuss training opportunities.
- Held on-going discussions with NETCSC about the 2003 Training Institute and EFC participation and also held discussions with Delaware Environmental Training Center at Delaware Technical and Community College (DTCC) about scheduling training.

## **Environmental Finance Center Network**

### *Source Water Protection Initiative*

During 2003, the Maryland EFC expanded its work with the Unified Source Water Protection Project. The Project is charged with assisting communities throughout the country in their efforts to protect drinking water sources. The University of Maryland EFC is working to better incorporate such protection efforts into larger watershed protection efforts.

### **Frederick County, Maryland**

The task force continued the plan writing process during the reporting period. An outline of the final plan was developed and task force members began writing assigned pieces of the final document. The Assistant Coordinator convened monthly meetings of the group through December. She spent extensive time working with the group to define the threats to the watershed from agriculture, as well as those from homeowners and new development. She also began writing and editing the final document with feedback from the group.

Upper Lake Linganore has been awarded a Watershed Restoration Action Strategy (WRAS) grant from the Maryland Department of Natural Resources. The WRAS grant will provide the County with additional financial and technical resources to go towards the protection of the watershed. Areas of overlap between the two projects were investigated by the task force in order to economize efforts. The WRAS Coordinator hired by County also became a regular member of the task force.

### **Berkeley County, West Virginia**

During 2003, Phase II of the project wrapped up for this group. Subcommittees (Septic and Sewer, Industry, Transportation, and HAZMAT, Development, Growth, and Storm Water Management, Resources, and Agriculture and Wildlife) met monthly, and attendance was exceptional. Some of the subcommittees met more frequently, or extended the length of their meetings, in order to complete their portion of the report by the end of June. The group held its last full task force meeting on June 26<sup>th</sup>. At this meeting the Assistant Coordinator gave a presentation on the status of the source water projects around the country and how the Berkeley project fit into the larger picture. Joseph Hankins of the Freshwater Institute reported on his presentation of the Berkeley project at the EPA Source Water Protection Conference held in Washington, D.C. earlier in the month. Each subcommittee reported out on progress they had made identifying the most pressing issues in each category and steps that have been taken to address each issue. They also discussed solutions to each issue that they identified, as well as potential obstacles to those solutions. About 40 people attended the meeting

including local elected officials and members of the press. It was decided that committees would meet periodically over the next several months in order to complete the report. Additionally, the committee chairs and other members of the group offered to serve on an implementation committee to try to implement some of the recommendations made in the final report. The report will be complete in early spring 2004 and will be presented to the County Commissioners.

Since it was uncertain if the group was going to receive the \$25,000 EPA award it had been granted, the EFC put forward funds to hire one of the most active task force members as a coordinator for this project. The EPA award funds eventually came through and the group plans to use them for a part of a demonstration project and/or an educational program. They are applying for a 319 grant from the EPA to do a demonstration project for a centralized or cluster septic system remediation project and they have been meeting to develop a concept and chose a site. The Assistant Coordinator has been attending monthly meetings as part of the EFC's ongoing commitment to the group. At the close of 2003, efforts to develop a demonstration project were still underway.

#### *2003 National Source Water Protection Conference-Washington, D.C.*

The EFC's Senior Advisor gave a presentation of the financing "quilt" concept at the Plenary Session of the EPA's 2003 National Source Water Protection Conference in June. The Director and the Assistant Coordinator, in collaboration with staff from the EFCs in Regions 2, 6 and 10, also conducted an environmental finance training session using case studies during the Technical Training/Short Courses section of the conference.

#### *Drinking Water and Waste Water Needs Assessment for Appalachia*

The Maryland EFC (Region 3) has partnered with the EFCs at the University of North Carolina and Syracuse University on an Appalachian Region proposal that has been awarded funding. This project is part of a contract with the Appalachian Regional Commission to examine water and sewer infrastructure needs and gaps in Appalachia. Work on this project will begin in 2004.

#### *Other Network activities completed during the year include:*

- The Director gave a presentation on Smart Growth and financing at the American Planning Association meeting in Denver, Colorado, as part of a panel featuring the EFC Network.
- The EFC Director and Assistant Coordinator participated in an EFC Network briefing for the Comptroller of EPA and senior staff. This meeting led to a separate meeting at the

EFCs College Park office with the Senior Advisor to the EPA Comptroller to discuss the roles and potentials of the EFCs and the Environmental Financial Advisory Board (EFAB) in addressing key and emerging environmental finance issues.

- EFAB meeting in San Francisco, CA (Aug 4-5) – The EFC Director reported on efforts to explore environmental finance on a watershed basis (working with the EFAB subcommittee on watershed financing).
- The EFC Director attended the annual meeting of EFC Directors in Maine in October, in order to plan collaborative efforts with other EFCs. One potential arising from this collaboration is a Public Management and Finance Program (PMFP), an initiative with the Syracuse University EFC and possibly several others.
- The Director also participated in a network-wide conference call with the EFCN to determine future strategies for the Network.